

TOWNSHIP OF MASONVILLE
Delta County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Masonville	County Delta
Audit Date March 31, 2006	Opinion Date June 12, 2006	Date Accountant Report Submitted to State: August 4, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF MASONVILLE
Delta County, Michigan

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Delta County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 12, 2006

To the Township Board
Township of Masonville
Delta County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Masonville, Delta County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Masonville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Masonville, Delta County, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 12, 2006, on our consideration of the Township's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountant

TOWNSHIP OF MASONVILLE
Delta County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Masonville covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$776,226.16 for governmental activities and \$3,709,119.88 for business activities. Overall total capital assets increased due to the building of the sewer system.

Overall revenues were \$601,568.95 from governmental activities and \$0 from business-type activities. Governmental activities had a \$114,581.99 increase in net assets. Business-type activities had an increase in net assets of \$3,571,085.32.

The Township sold bonds in the amount of \$1,080,000.00 to partially fund the building of the sewer system in the Township.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, CDBG Fund, Roads and Bridges Fund, Building Maintenance Fund, Sewer Fund, Current Tax Collection Fund, and the Agency Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, CDBG Fund, Roads and Bridges Fund, and the Building Maintenance Fund.

Business-Type Funds: The Township has a Sewer Fund which includes the activity of providing sewer services to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$326,742.22.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$7,500.00 in capital assets.

The Township's business-type activities invested \$4,518,848.73 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

The Township's business-type activities paid \$132,143.02 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Our wastewater projects construction began on May 8, 2005, and the expected completion date is summer of 2006.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at P.O. Box 166, Rapid River, Michigan 49878 or call 906-474-9505.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	513 959 64	93 57	514 053 21
Taxes receivable	5 364 52	-	5 364 52
Due from other funds	270 00	-	270 00
Total Current Assets	<u>519 594 16</u>	<u>93 57</u>	<u>519 687 73</u>
NON-CURRENT ASSETS:			
Capital Assets	1 405 925 00	4 789 026 31	6 194 951 31
Less: Accumulated Depreciation	<u>(1 149 293 00)</u>	<u>-</u>	<u>(1 149 293 00)</u>
Total Non-current Assets	<u>256 632 00</u>	<u>4 789 026 31</u>	<u>5 045 658 31</u>
TOTAL ASSETS	<u><u>776 226 16</u></u>	<u><u>4 789 119 88</u></u>	<u><u>5 565 346 04</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NON-CURRENT LIABILITIES:			
Bonds payable	<u>-</u>	1 080 000 00	1 080 000 00
Total Non-current Liabilities	<u>-</u>	<u>1 080 000 00</u>	<u>1 080 000 00</u>
Total Liabilities	<u>-</u>	<u>1 080 000 00</u>	<u>1 080 000 00</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	256 632 00	3 709 026 31	3 965 658 31
Unrestricted	<u>519 594 16</u>	<u>93 57</u>	<u>519 687 73</u>
Total Net Assets	<u>776 226 16</u>	<u>3 709 119 88</u>	<u>4 485 346 04</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>776 226 16</u></u>	<u><u>4 789 119 88</u></u>	<u><u>5 565 346 04</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

		Program Revenue	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants- Contributions</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	10 874 60	-	-
General government	199 710 20	57 528 51	-
Public safety	55 301 26	1 335 00	-
Public works	52 269 06	-	-
Recreation and culture	19 130 99	-	-
Other	16 610 80	-	-
Total Governmental Activities	<u>353 896 91</u>	<u>58 863 51</u>	<u>-</u>
Business-Type Activities:			
Interest expense	<u>1 246 03</u>	-	<u>3 439 241 30</u>
Total Business-Type Activities	<u>1 246 03</u>	-	<u>3 439 241 30</u>
Total Government	<u><u>355 142 94</u></u>	<u><u>58 863 51</u></u>	<u><u>3 439 241 30</u></u>
General Revenues:			
Property taxes			
Other taxes			
State revenue sharing			
Interest			
Miscellaneous			
Transfers			
Total General Revenues			
Change in net assets			
Net assets, beginning of year			
Net Assets, End of Year			

The accompanying notes are an integral part of these financial statements.

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
(10 874 60)	-	(10 874 60)
(142 181 69)	-	(142 181 69)
(53 966 26)	-	(53 966 26)
(52 269 06)	-	(52 269 06)
(19 130 99)	-	(19 130 99)
<u>(16 610 80)</u>	<u>-</u>	<u>(16 610 80)</u>
<u>(295 033 40)</u>	<u>-</u>	<u>(295 033 40)</u>
<u>-</u>	<u>3 437 995 27</u>	<u>3 437 995 27</u>
<u>-</u>	<u>3 437 995 27</u>	<u>3 437 995 27</u>
<u>(295 033 40)</u>	<u>3 437 995 27</u>	<u>3 142 961 87</u>
45 298 16	-	45 298 16
18 882 17	-	18 882 17
128 225 30	-	128 225 30
13 022 90	-	13 022 90
337 276 91	-	337 276 91
<u>(133 090 05)</u>	<u>133 090 05</u>	<u>-</u>
<u>409 615 39</u>	<u>133 090 05</u>	<u>542 705 44</u>
114 581 99	3 571 085 32	3 685 667 31
<u>661 644 17</u>	<u>138 034 56</u>	<u>799 678 73</u>
<u>776 226 16</u>	<u>3 709 119 88</u>	<u>4 485 346 04</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	<u>General</u>	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Other Funds</u>
<u>Assets</u>				
Cash in bank	255 633 19	204 615 30	53 711 15	-
Taxes receivable	5 364 52	-	-	-
Due from other units	270 00	-	-	-
Total Assets	<u>261 267 71</u>	<u>204 615 30</u>	<u>53 711 15</u>	<u>-</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	261 267 71	204 615 30	53 711 15	-
Total fund equity	<u>261 267 71</u>	<u>204 615 30</u>	<u>53 711 15</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>261 267 71</u>	<u>204 615 30</u>	<u>53 711 15</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

Total

513 959 64

5 364 52

270 00

519 594 16

-

-

519 594 16

519 594 16

519 594 16

TOWNSHIP OF MASONVILLE
Delta County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	519 594 16
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 405 925 00
Accumulated depreciation	<u>(1 149 293 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>776 226 16</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Other Funds</u>
Revenues:				
Property taxes	45 298 16	-	-	-
Other taxes	18 882 17	-	-	-
Licenses and permits	735 00	-	-	-
State revenue sharing	128 225 30	-	-	-
Charges for services:				
PTAF	23 908 63	-	-	-
Cemetery	6 740 00	-	-	-
Fire	1 335 00	-	-	-
Interest	6 625 85	5 203 87	1 193 18	-
Rents	26 144 88	-	-	-
Miscellaneous	337 276 91	-	-	-
Total revenues	<u>595 171 90</u>	<u>5 203 87</u>	<u>1 193 18</u>	<u>-</u>
Expenditures:				
Legislative:				
Township Board	10 874 60	-	-	-
General government:				
Supervisor	8 050 82	-	-	-
Elections	1 014 29	-	-	-
Assessor	18 422 32	-	-	-
Clerk	8 506 08	-	-	-
Board of Review	256 94	-	-	-
Treasurer	15 780 18	-	-	-
Building and grounds	124 002 09	-	-	-
Cemetery	6 010 48	-	-	-
Public safety:				
Liquor law enforcement	1 010 43	-	-	-
Fire protection	28 943 62	-	-	-
Medical services	5 174 46	-	-	-
Housing	-	-	-	2 820 69
Planning and zoning	3 185 06	-	-	-
Public works:				
Highways and streets	46 490 61	-	-	-
Sanitation	5 778 45	-	-	-
Recreation:				
Recreation	19 130 99	-	-	-
Other:				
Insurance	11 837 00	-	-	-
Retirement	4 773 80	-	-	-
Capital outlay	7 500 00	-	-	-
Total expenditures	<u>326 742 22</u>	<u>-</u>	<u>-</u>	<u>2 820 69</u>
Excess (deficiency) of revenues over expenditures	<u>268 429 68</u>	<u>5 203 87</u>	<u>1 193 18</u>	<u>(2 820 69)</u>

The accompanying notes are an integral part of these financial statements.

Total

45 298 16
18 882 17
735 00
128 225 30

23 908 63
6 740 00
1 335 00
13 022 90
26 144 88
337 276 91

601 568 95

10 874 60

8 050 82
1 014 29
18 422 32
8 506 08
256 94
15 780 18
124 002 09
6 010 48

1 010 43
28 943 62
5 174 46
2 820 69
3 185 06

46 490 61
5 778 45

19 130 99

11 837 00
4 773 80
7 500 00

329 562 91

272 006 04

TOWNSHIP OF MASONVILLE
Delta County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Other Funds</u>
Other financing sources (uses):				
Operating transfers out	<u>(133 090 05)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(133 090 05)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	135 339 63	5 203 87	1 193 18	(2 820 69)
Fund balances, April 1	<u>125 928 08</u>	<u>199 411 43</u>	<u>52 517 97</u>	<u>2 820 69</u>
Fund Balances, March 31	<u><u>261 267 71</u></u>	<u><u>204 615 30</u></u>	<u><u>53 711 15</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

Total
(133 090 05)
(133 090 05)

138 915 99
380 678 17
519 594 16

TOWNSHIP OF MASONVILLE
Delta County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 138 915 99

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense
Capital Outlay

(31 834 00)
7 500 00

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

114 581 99

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
March 31, 2006

	<u>Total (Sewer)</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>93 57</u>
Total Current Assets	<u>93 57</u>
NON-CURRENT ASSETS:	
Capital Assets	4 789 026 31
Less: Accumulated Depreciation	<u>-</u>
Total Non-current Assets	<u>4 789 026 31</u>
TOTAL ASSETS	<u><u>4 789 119 88</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
LONG-TERM LIABILITIES:	
Bonds payable	<u>1 080 000 00</u>
Total Liabilities	<u>1 080 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	3 709 026 31
Unrestricted	<u>93 57</u>
Total Net Assets	<u>3 709 119 88</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>4 789 119 88</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUSINESS-TYPE FUNDS
Year ended March 31, 2006

	Total (Sewer)
OPERATING REVENUES	-
Total Operating Revenues	-
OPERATING EXPENSES	-
Total Operating Expenses	-
Operating Income (loss) before depreciation	-
Less: depreciation	-
Operating income (loss)	-
NON-OPERATING REVENUES (EXPENSES):	
Transfers in	133 090 05
Federal grants	2 858 000 00
State grants	581 241 30
Interest expense	(1 246 03)
Total Non-operating Revenues (Expenses)	3 571 085 32
Change in net assets	3 571 085 32
Net assets, beginning of year	138 034 56
Net Assets, End of Year	3 709 119 88

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended March 31, 2006

	<u>Total (Sewer)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	-
Cash payments to suppliers for goods and services	-
Cash payments to employees for services	-
Net cash provided (used) by operating activities	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	133 090 05
Net cash provided (used) by non-capital financing activities	133 090 05
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(4 518 848 73)
Proceeds from federal grants	2 858 000 00
Proceeds from state grants	581 241 30
Proceeds from bond sale	1 080 000 00
Principal paid on capital debt	(132 143 02)
Interest paid on capital debt	(1 246 03)
Net cash provided (used) by capital and related financing activities	(132 996 48)
Net increase (decrease) in cash	93 57
Cash beginning of year	-
Cash End of Year	93 57
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	-
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	-
(Increase) decrease in receivables	-
Net Cash Provided (Used) in Operating Activities	-

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Masonville, Delta County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Masonville. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 28. The 2005 tax roll millage rate was .8847 mills, and the taxable value was \$51,041,060.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$2,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	5-15 years
Equipment	4-15 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>514 053 21</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	205 581 81
Uninsured and Uncollateralized	<u>335 796 17</u>
Total Deposits	<u>541 377 98</u>

The Township of Masonville did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	53 300 00	-	-	53 300 00
Buildings	895 600 00	-	-	895 600 00
Equipment	<u>449 525 00</u>	<u>7 500 00</u>	<u>-</u>	<u>457 025 00</u>
Total	1 398 425 00	7 500 00	-	1 405 925 00
Accumulated Depreciation	<u>(1 117 459 00)</u>	<u>(31 834 00)</u>	<u>-</u>	<u>(1 149 293 00)</u>
Net Governmental Capital Assets	<u>280 966 00</u>	<u>(24 334 00)</u>	<u>-</u>	<u>256 632 00</u>
<u>Business-Type Activities:</u>				
Sewer Systems	270 177 58	4 518 848 73	-	4 789 026 31
Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Business-Type Capital Assets	<u>270 177 58</u>	<u>4 518 848 73</u>	<u>-</u>	<u>4 789 026 31</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2006, was \$4,773.80.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 7 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/06</u>
Sewer Fund – Note Payable	132 143 02	-	132 143 02	-
Sewer Funds Bond Payable. Series 2005A	-	568 000 00	-	568 000 00
Sewer Funds Bond Payable. Series 2005B	-	512 000 00	-	512 000 00
Total	<u>132 143 02</u>	<u>1 080 000 00</u>	<u>132 143 02</u>	<u>1 080 000 00</u>

Note 8 – Sewer Fund Note Payable

The Township of Masonville obtained a \$264,000.00 loan from Northern Michigan Bank and Trust which is recorded in the Sewer Fund. The loan is a general obligation limited tax refunding note that requires quarterly payments with interest at the rate of 3.00% per annum. The principal balance was paid off during the fiscal year ended March 31, 2006.

Note 9 – Sewage Disposal System Revenue Bond, Series 2005A

In 2005, the Township of Masonville sold \$568,000.00 of revenue bonds. As of March 31, 2006, the principal balance outstanding on the bonds was \$568,000.00.

<u>Due Date</u>	<u>Amount</u>
<u>April 1</u>	
2008	\$6 000 00
2009	6 000 00
2010	6 000 00
2011	7 000 00
2012	7 000 00
2013	7 000 00
2014	8 000 00
2015	8 000 00
2016	8 000 00
2017	9 000 00
2018	9 000 00
2019	10 000 00
2020	10 000 00
2021	10 000 00
2022	11 000 00
2023	11 000 00
2024	12 000 00
2025	12 000 00
2026	13 000 00
2027	14 000 00
2028	14 000 00
2029	15 000 00

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 9 – Sewage Disposal System Revenue Bond, Series 2005A (continued)

<u>Due Date</u>	<u>Amount</u>
<u>April 1</u>	
2030	15 000 00
2031	16 000 00
2032	17 000 00
2033	18 000 00
2034	18 000 00
2035	19 000 00
2036	20 000 00
2037	21 000 00
2038	22 000 00
2039	23 000 00
2040	24 000 00
2041	25 000 00
2042	26 000 00
2043	27 000 00
2044	29 000 00
2045	35 000 00
Total	<u>\$568 000 00</u>

Note 10 – Sewage Disposal System Revenue Bond, Series 2005B

In 2005, the Township of Masonville sold \$512,000.00 of revenue bonds. As of March 31, 2006, the principal balance outstanding on the bonds was \$512,000.00.

<u>Due Date</u>	<u>Amount</u>
<u>April 1</u>	
2008	\$5 000 00
2009	6 000 00
2010	6 000 00
2011	6 000 00
2012	6 000 00
2013	7 000 00
2014	7 000 00
2015	7 000 00
2016	8 000 00
2017	8 000 00
2018	8 000 00
2019	9 000 00
2020	9 000 00
2021	9 000 00
2022	10 000 00
2023	10 000 00
2024	11 000 00
2025	11 000 00
2026	12 000 00
2027	12 000 00
2028	13 000 00
2029	13 000 00

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 10 – Sewage Disposal System Revenue Bond, Series 2005B (continued)

<u>Due Date</u>	<u>Amount</u>
<u>April 1</u>	
2030	14 000 00
2031	15 000 00
2032	15 000 00
2033	16 000 00
2034	17 000 00
2035	17 000 00
2036	18 000 00
2037	19 000 00
2038	20 000 00
2039	21 000 00
2040	22 000 00
2041	23 000 00
2042	24 000 00
2043	25 000 00
2044	26 000 00
2045	<u>27 000 00</u>
Total	<u>\$512 000 00</u>

Note 11 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 – Building Permits

The Township of Masonville does not issue building permits.

Note 13 – Interfund Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Sewer	<u>133 090 05</u>	General	<u>133 090 05</u>
Total	<u>133 090 05</u>	Total	<u>133 090 05</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	42 000 00	42 000 00	45 298 16	3 298 16
Other taxes	16 450 00	16 450 00	18 882 17	2 432 17
Licenses and permits	875 00	875 00	735 00	(140 00)
State revenue sharing	121 500 00	121 500 00	128 225 30	6 725 30
Charges for services:				
PTAF	14 000 00	14 000 00	23 908 63	9 908 63
Cemetery	6 500 00	6 500 00	6 740 00	240 00
Fire	6 200 00	6 200 00	1 335 00	(4 865 00)
Interest	750 00	750 00	6 625 85	5 875 85
Rents	8 400 00	8 400 00	26 144 88	17 744 88
Miscellaneous	3 000 00	3 000 00	337 276 91	334 276 91
Total revenues	219 675 00	219 675 00	595 171 90	375 496 90
Expenditures:				
Legislative:				
Township Board	12 675 00	23 875 00	10 874 60	(13 000 40)
General government:				
Supervisor	9 000 00	9 000 00	8 050 82	(949 18)
Elections	3 750 00	3 750 00	1 014 29	(2 735 71)
Assessor	21 500 00	21 500 00	18 422 32	(3 077 68)
Clerk	9 150 00	9 150 00	8 506 08	(643 92)
Board of Review	810 00	810 00	256 94	(553 06)
Treasurer	18 750 00	18 750 00	15 780 18	(2 969 82)
Building and grounds	58 000 00	131 000 00	124 002 09	(6 997 91)
Cemetery	10 150 00	10 150 00	6 010 48	(4 139 52)
Public safety:				
Liquor law enforcement	1 500 00	1 500 00	1 010 43	(489 57)
Fire protection	27 930 00	29 030 00	28 943 62	(86 38)
Medical services	11 300 00	10 200 00	5 174 46	(5 025 54)
Planning and zoning	4 350 00	4 350 00	3 185 06	(1 164 94)
Public works:				
Highways and streets	103 331 42	83 131 42	46 490 61	(36 640 81)
Sanitation	6 500 00	6 500 00	5 778 45	(721 55)
Recreation:				
Recreation	24 150 00	24 150 00	19 130 99	(5 019 01)
Other:				
Insurance	14 000 00	14 000 00	11 837 00	(2 163 00)
Retirement	5 000 00	5 000 00	4 773 80	(226 20)
Capital outlay	-	7 500 00	7 500 00	-
Total expenditures	341 846 42	413 346 42	326 742 22	(86 604 20)
Excess (deficiency) of revenues over expenditures	(122 171 42)	(193 671 42)	268 429 68	462 101 10

TOWNSHIP OF MASONVILLE
Delta County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Other financing sources (uses):				
Operating transfers out	<u>(150 000 00)</u>	<u>(150 000 00)</u>	<u>(133 090 05)</u>	<u>16 909 95</u>
Total other financing sources (uses)	<u>(150 000 00)</u>	<u>(150 000 00)</u>	<u>(133 090 05)</u>	<u>16 909 95</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(272 171 42)	(343 671 42)	135 339 63	479 011 05
Fund balance, April 1	<u>295 535 63</u>	<u>343 671 42</u>	<u>125 928 08</u>	<u>(217 743 34)</u>
Fund Balance, March 31	<u>23 364 21</u>	<u>-</u>	<u>261 267 71</u>	<u>261 267 71</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROADS AND BRIDGES FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	<u>-</u>	<u>-</u>	<u>5 203 87</u>	<u>5 203 87</u>
Total revenues	<u>-</u>	<u>-</u>	<u>5 203 87</u>	<u>5 203 87</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>5 203 87</u>	<u>5 203 87</u>
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>199 411 43</u>	<u>199 411 43</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>204 615 30</u>	<u>204 615 30</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

BUDGETARY COMPARISON SCHEDULE – BUILDING MAINTENANCE FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	-	-	1 193 18	1 193 18
Total revenues	-	-	1 193 18	1 193 18
Expenditures	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	1 193 18	1 193 18
Fund balance, April 1	-	-	52 517 97	52 517 97
Fund Balance, March 31	-	-	53 711 15	53 711 15

TOWNSHIP OF MASONVILLE
Delta County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Township Board:	
Wages	1 470 00
Payroll taxes	57 73
Professional services	6 568 00
Miscellaneous	2 778 87
	<u>10 874 60</u>
Supervisor:	
Salary	7 200 00
Office supplies	112 36
Payroll taxes	705 06
Transportation	33 40
	<u>8 050 82</u>
Elections:	
Wages	787 50
Office supplies	226 79
	<u>1 014 29</u>
Assessor:	
Salary	15 399 96
Office supplies	790 00
Miscellaneous	2 232 36
	<u>18 422 32</u>
Clerk:	
Salary	6 964 56
Office supplies	1 426 43
Printing and publishing	115 09
	<u>8 506 08</u>
Board of Review:	
Wages	147 00
Miscellaneous	109 94
	<u>256 94</u>
Treasurer:	
Salary	10 356 34
Payroll taxes	150 23
Office supplies	5 273 61
	<u>15 780 18</u>
Building and grounds:	
Wages	3 312 00
Payroll taxes	274 43
Contracted services	1 379 80
Utilities	35 329 68
Repairs and maintenance	69 822 77
Miscellaneous	13 883 41
	<u>124 002 09</u>
Cemetery:	
Wages	5 025 00
Repairs and maintenance	985 48
	<u>6 010 48</u>
Liquor law enforcement:	
Wages	362 50
Miscellaneous	647 93
	<u>1 010 43</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Fire protection:	
Wages	3 805 00
Payroll taxes	17 40
Professional services	5 123 09
Supplies	7 486 44
Utilities	3 246 54
Repairs and maintenance	9 125 15
Miscellaneous	140 00
	<u>28 943 62</u>
Medical services:	
Operating supplies	2 149 98
Wages	560 00
Repairs and maintenance	1 849 90
Miscellaneous	614 58
	<u>5 174 46</u>
Planning and zoning:	
Wages	2 550 00
Payroll taxes	113 13
Printing and publishing	271 93
Miscellaneous	250 00
	<u>3 185 06</u>
Highways and streets:	
Street lighting	6 996 01
Roads	33 983 00
Sidewalks	5 511 60
	<u>46 490 61</u>
Sanitation	<u>5 778 45</u>
Recreation:	
Wages	3 793 06
Payroll taxes	761 94
Contracted services	1 271 00
Utilities	766 71
Repairs and maintenance	8 613 45
Operating supplies	3 924 83
	<u>19 130 99</u>
Insurance	<u>11 837 00</u>
Retirement	<u>4 773 80</u>
Capital outlay	<u>7 500 00</u>
Total Expenditures	<u><u>326 742 22</u></u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2006

	<u>CDBG</u>	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	<u>-</u>	<u>204 615 30</u>	<u>53 711 15</u>	<u>258 326 45</u>
Total Assets	<u>-</u>	<u>204 615 30</u>	<u>53 711 15</u>	<u>258 326 45</u>
<u>Fund Balances</u>				
Fund balances:				
Unreserved:				
Undesignated	<u>-</u>	<u>204 615 30</u>	<u>53 711 15</u>	<u>258 326 45</u>
Total Fund Balances	<u>-</u>	<u>204 615 30</u>	<u>53 711 15</u>	<u>258 326 45</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year ended March 31, 2006

	<u>CDBG</u>	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Total</u>
Revenues:				
Interest	<u>-</u>	<u>5 203 87</u>	<u>1 193 18</u>	<u>6 397 05</u>
Total revenues	<u>-</u>	<u>5 203 87</u>	<u>1 193 18</u>	<u>6 397 05</u>
Expenditures:				
Public safety:				
Housing	<u>2 820 69</u>	<u>-</u>	<u>-</u>	<u>2 820 69</u>
Excess of revenues over expenditures	<u>(2 820 69)</u>	<u>5 203 87</u>	<u>1 193 18</u>	<u>3 576 36</u>
Fund balances, April 1	<u>2 820 69</u>	<u>199 411 43</u>	<u>52 517 97</u>	<u>254 750 09</u>
Fund Balances, March 31	<u>-</u>	<u>204 615 30</u>	<u>53 711 15</u>	<u>258 326 45</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>223 79</u>	<u>1 758 472 24</u>	<u>1 758 696 03</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	223 79	65 777 37	66 001 16	-
Due to others	<u>-</u>	<u>1 692 694 87</u>	<u>1 692 694 87</u>	<u>-</u>
Total Liabilities	<u>223 79</u>	<u>1 758 472 24</u>	<u>1 758 696 03</u>	<u>-</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>2 502 71</u>	<u>2 502 71</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	-	69 00	69 00	-
Due to others	<u>-</u>	<u>2 433 71</u>	<u>2 433 71</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>2 502 71</u>	<u>2 502 71</u>	<u>-</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>223 79</u>	<u>1 760 974 95</u>	<u>1 761 198 74</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	223 79	65 846 37	66 070 16	-
Due to others	<u>-</u>	<u>1 695 128 58</u>	<u>1 695 128 58</u>	<u>-</u>
Total Liabilities	<u>223 79</u>	<u>1 760 974 95</u>	<u>1 761 198 74</u>	<u>-</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 12, 2006

To the Township Board
Township of Masonville
Delta County, Michigan

We have audited the financial statements of the Township of Masonville, Delta County, Michigan, as of and for the year ended March 31, 2006, and have issued our report thereon dated June 12, 2006. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether Township of Masonville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Masonville's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over cash transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

June 12, 2006

To the Township Board
Township of Masonville
Delta County, Michigan

Compliance

We have audited the compliance of Township of Masonville, Delta County, Michigan, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2006. Township of Masonville's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Township of Masonville's management. Our responsibility is to express an opinion on Township of Masonville's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Township of Masonville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Township of Masonville's compliance with those requirements.

In our opinion, Township of Masonville complies, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006.

Internal Control Over Compliance

The management of Township of Masonville is responsible for establishing and maintaining effective control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Township of Masonville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

To the Township Board
Township of Masonville
Delta County, Michigan

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
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TOWNSHIP OF MASONVILLE
Delta County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended March 31, 2006

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:		
Direct programs:		
Rural Development Wastewater System Improvement Grant	10.760	2 108 000 00
Rural Development Wastewater System Improvement Loan	10.760	1 080 000 00
Total direct programs		<u>3 188 000 00</u>
U.S. Department of Housing and Urban Development:		
Pass – though program from:		
Michigan Economic Development Corporation:		
Community Development Block Grant	14.228	750 000 00
Total pass-though programs		<u>750 000 00</u>
Total Expenditures of Federal Awards		<u>3 938 000 00</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended March 31, 2006

There were no prior year findings.

There are no current year findings.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 12, 2006

To the Township Board
Township of Masonville
Delta County, Michigan

We have audited the financial statements of the Township of Masonville for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Masonville in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Masonville
Delta County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants